

each SEMAP indicator, its overall SEMAP score, and its overall performance rating (high performer, standard, troubled).

§ 985.3 Indicators, HUD verification methods and ratings.

This section states the performance indicators that are used to assess HA Section 8 management. HUD will use the verification method identified for each indicator in reviewing the accuracy of an HA's annual SEMAP certification. HUD will prepare a SEMAP profile for each HA and will assign a rating for each indicator as shown. If the HUD verification method for the indicator relies on data in MTCS and HUD determines those data are insufficient to verify the HA's certification on the indicator due to the HA's failure to adequately report family data, HUD will assign a zero rating for the indicator. Similarly, if the HUD verification method for the indicator relies on the HA's annual audit report and HUD does not receive the audit report within the nine month reporting period, HUD may assign a zero rating for the indicator.

An HA that expends less than \$300,000 in Federal awards and whose Section 8 programs are not audited by an independent auditor (IA), will not be rated under the SEMAP indicators in paragraphs (a) through (g) of this section for which the annual IA audit report is the HUD verification method. For those HAs, the SEMAP score and overall performance rating will be determined based only on the remaining indicators in paragraphs (i) through (o) of this section as applicable. Although the SEMAP performance rating will not be determined using the indicators in paragraphs (a) through (g) of this section, HAs not subject to Federal audit requirements must still complete the SEMAP certification for these indicators and performance under the indicators is subject to HUD confirmatory reviews.

(a) *Selection from the waiting list.* (1) This indicator shows whether the HA has written policies in its administrative plan for selecting applicants from the waiting list and whether the HA follows these policies when selecting applicants for admission from the wait-

ing list. (24 CFR 982.54(d)(1) and 982.204(a))

(2) HUD verification method: The latest independent auditor (IA) annual audit report.

(3) Rating:

(i) The latest IA audit report states that:

(A) The HA has written waiting list selection policies in its administrative plan and,

(B) Based on randomly selected samples of applicants and admissions, documentation shows that at least 98 percent of the families in the samples of applicants and admissions were selected from the waiting list for admission in accordance with these policies and met the selection criteria that determined their places on the waiting list and their order of selection. 15 points.

(ii) The latest IA audit report does not support the statement in paragraph (a)(3)(i) of this section. 0 points.

(b) *Reasonable rent.* (1) This indicator shows whether the HA has and implements a reasonable written method to determine and document for each unit leased that the rent to owner is reasonable based on current rents for comparable unassisted units: at the time of initial leasing; if there is any increase in the rent to owner; and at the HAP contract anniversary if there is a 5 percent decrease in the published fair market rent (FMR) in effect 60 days before the HAP contract anniversary. The HA's method must take into consideration the location, size, type, quality and age of the units, and the amenities, housing services, and maintenance and utilities provided by the owners in determining comparability and the reasonable rent. (24 CFR 982.4, 24 CFR 982.54(d)(15), 982.158(f)(7) and 982.503)

(2) HUD verification method: The latest IA annual audit report.

(3) Rating:

(i) The latest IA audit report states that:

(A) The HA has a reasonable written method to determine reasonable rent which considers location, size, type, quality and age of the units and the amenities, housing services, and maintenance and utilities provided by the owners; and

(B) Based on a randomly selected sample of tenant files, the HA follows its written method to determine reasonable rent and has documented its determination that the rent to owner is reasonable in accordance with § 982.503 for at least 98 percent of units sampled at the time of initial leasing, if there is any increase in the rent to owner and, at the HAP contract anniversary if there is a 5 percent decrease in the published FMR in effect 60 days before the HAP contract anniversary. 20 points.

(ii) The latest IA audit report includes the statements in paragraph (b)(3)(i) of this section, except that the HA documents its determination of reasonable rent for only 80 to 97 percent of units sampled at initial leasing, if there is any increase in the rent to owner, and at the HAP contract anniversary if there is a 5 percent decrease in the published FMR in effect 60 days before the HAP contract anniversary. 15 points.

(iii) The latest IA audit report does not support the statements in either paragraph (b)(3)(i) or (b)(3)(ii) of this section. 0 points.

(c) *Determination of adjusted income.*

(1) This indicator shows whether, at the time of admission and annual reexamination, the HA verifies and correctly determines adjusted annual income for each assisted family and, where the family is responsible for utilities under the lease, the HA uses the appropriate utility allowances for the unit leased in determining the gross rent. (24 CFR part 5, subpart F and 24 CFR 982.516)

(2) HUD verification method: The latest IA annual audit report.

(3) Rating:

(i) The latest IA audit report states that, based on a randomly selected sample of tenant files, for at least 90 percent of families:

(A) The HA obtains third party verification of reported family annual income, the value of assets totalling more than \$5,000, expenses related to deductions from annual income, and other factors that affect the determination of adjusted income, and uses the verified information in determining adjusted income, and/or docu-

ments tenant files to show why third party verification was not available;

(B) The HA properly attributes and calculates allowances for any medical, child care, and/or disability assistance expenses; and

(C) The HA uses the appropriate utility allowances to determine gross rent for the unit leased. 20 points.

(ii) The latest IA audit report includes the statements in paragraph (c)(3)(i) of this section, except that the HA obtains and uses independent verification of income, properly attributes allowances, and uses the appropriate utility allowances for only 80 to 89 percent of families. 15 points.

(iii) The latest IA audit report does not support the statements in either paragraph (c)(3)(i) or (c)(3)(ii) of this section. 0 points.

(d) *Utility Allowance Schedule.* (1) This indicator shows whether the HA maintains an up-to-date utility allowance schedule. (24 CFR 982.517)

(2) HUD verification method: The latest IA annual audit report.

(3) Rating:

(i) The latest IA audit report states that the auditor has determined that the HA reviewed utility rate data within the last 12 months, and adjusted its utility allowance schedule if there has been a change of 10 percent or more in a utility rate since the last time the utility allowance schedule was revised. 5 points.

(ii) The latest IA audit report does not support the statement in paragraph (d)(3)(i) of this section. 0 points.

(e) *HQS quality control inspections.* (1) This indicator shows whether an HA supervisor or other qualified person re-inspects a sample of units under contract during the HA fiscal year, numbering at least 5 percent of the number of units under contract during the last completed HA fiscal year (as determined by taking unit months under HAP contract as shown on the HA's latest approved year end operating statement divided by 12), for quality control of HQS inspections. The HA supervisor's reinspected sample is to be drawn from recently completed HQS inspections (i.e., performed during the 3 months preceding reinspection) and is to be drawn to represent a cross section of neighborhoods and the work of

a cross section of inspectors. (24 CFR 982.405(b))

(2) HUD verification method: The latest IA annual audit report.

(3) Rating:

(i) The latest IA audit report states that the auditor has determined that an HA supervisor or other qualified person performed quality control HQS reinspections during the HA fiscal year for a sample of units under contract numbering at least 5 percent of the number of units under contract during the last HA fiscal year. The audit report also states that the reinspected sample was drawn from recently completed HQS inspections (i.e., performed during the 3 months preceding the quality control reinspection) and was drawn to represent a cross section of neighborhoods and the work of a cross section of inspectors. 5 points.

(ii) The latest IA audit report does not support the statements in paragraph (e)(3)(i) of this section. 0 points.

(f) *HQS enforcement.* (1) This indicator shows whether, following each HQS inspection of a unit under contract where the unit fails to meet HQS, any cited life-threatening HQS deficiencies are corrected within 24 hours from the inspection and all other cited HQS deficiencies are corrected within no more than 30 calendar days from the inspection or any HA-approved extension. In addition, if HQS deficiencies are not corrected timely, the indicator shows whether the HA stops (abates) housing assistance payments beginning no later than the first of the month following the specified correction period or terminates the HAP contract or, for family-caused defects, takes prompt and vigorous action to enforce the family obligations. (24 CFR 982.404)

(2) HUD verification method: The latest IA annual audit report.

(3) Rating:

(i) The latest IA audit report states that the review of a randomly selected sample of case files with failed HQS inspections shows that, for all cases sampled, any cited life-threatening HQS deficiencies were corrected within 24 hours from the inspection and, for at least 98 percent of cases sampled, all other cited HQS deficiencies were corrected within no more than 30 calendar days from the inspection or any HA-

proved extension, or, if any life-threatening HQS deficiencies were not corrected within 24 hours and all other HQS deficiencies were not corrected within 30 calendar days or any HA-approved extension, the HA stopped (abated) housing assistance payments beginning no later than the first of the month following the correction period, or took prompt and vigorous action to enforce family obligations. 10 points.

(ii) The latest IA audit report does not support the statement in paragraph (f)(3)(i) of this section. 0 points.

(g) *Expanding housing opportunities.* (1) This indicator applies only to HAs with jurisdiction in metropolitan FMR areas. The indicator shows whether the HA has adopted and implemented a written policy to encourage participation by owners of units located outside areas of poverty or minority concentration; informs rental voucher and certificate holders of the full range of areas where they may lease units both inside and outside the HA's jurisdiction; and supplies a list of landlords or other parties who are willing to lease units or help families find units, including units outside areas of poverty or minority concentration. (24 CFR 982.54(d)(5), 982.301(a) and 982.301(b)(5) and 982.301(b)(13))

(2) HUD verification method: The latest IA annual audit report.

(3) Rating:

(i) The latest IA audit report states that:

(A) The HA has a written policy in its administrative plan which includes actions the HA will take to encourage participation by owners of units located outside areas of poverty or minority concentration, and which clearly delineates areas in its jurisdiction that the HA considers areas of poverty or minority concentration;

(B) HA documentation shows that the HA has taken actions indicated in its written policy to encourage participation by owners of units located outside areas of poverty or minority concentration;

(C) The HA has prepared maps that show various areas with housing opportunities outside areas of poverty or minority concentration both within its jurisdiction and neighboring its jurisdiction; has assembled information

about the characteristics of those areas which may include information about job opportunities, schools, transportation and other services in these areas; and can demonstrate that it uses the maps and area characteristics information when briefing rental voucher and certificate holders about the full range of areas where they may look for housing;

(D) The HA's information packet for rental voucher and certificate holders contains either a list of owners who are willing to lease (or properties available for lease) under the rental voucher or certificate programs; or a current list of other organizations that will help families find units and the HA can demonstrate that the list(s) includes properties or organizations that operate outside areas of poverty or minority concentration;

(E) The HA's information packet includes an explanation of how portability works and includes a list of portability contact persons for neighboring housing agencies, with the name, address and telephone number of each, for use by families who move under portability; and

(F) HA documentation shows that the HA has analyzed whether rental voucher and certificate holders have experienced difficulties in finding housing outside areas of poverty or minority concentration and, if such difficulties have been found, HA documentation shows that the HA has analyzed whether it is appropriate to seek approval of area exception rents in any part of its jurisdiction and has sought HUD approval of exception rents when necessary. 5 points.

(ii) The latest audit report does not support the statement in paragraph (g)(3)(i) of this section. 0 points.

(h) *Deconcentration bonus.* (1) Additional SEMAP points are available to HAs that have jurisdiction in metropolitan FMR areas and that choose to submit with their SEMAP certifications certain data, in a HUD-prescribed format, on the percent of their tenant-based Section 8 families with children who live in, and who have moved during the HA fiscal year to, low poverty census tracts in the HA's principal operating area. For purposes of this indicator, the HA's principal op-

erating area is the geographic entity for which the Census tabulates data that most closely matches the HA's geographic jurisdiction under State or local law (e.g., city, county, metropolitan statistical area) as determined by the HA, subject to HUD review. A low poverty census tract is defined as a census tract where the poverty rate of the tract is at or below 10 percent, or at or below the overall poverty rate for the principal operating area of the HA, whichever is greater. The HA determines the overall poverty rate for its principal operating area using the most recent available decennial Census data. Family data used for the HA's analysis must be the same information as reported to MTCS for the HA's tenant-based Section 8 families with children. If HUD determines that the quantity of MTCS data is insufficient for adequate analysis, HUD will not award points under this bonus indicator. Bonus points will be awarded if:

(i) Half or more of all Section 8 families with children assisted by the HA in its principal operating area at the end of the last completed HA fiscal year reside in low poverty census tracts;

(ii) The percent of Section 8 mover families with children who moved to low poverty census tracts in the HA's principal operating area during the last completed HA fiscal year is at least 2 percentage points higher than the percent of all Section 8 families with children who reside in low poverty census tracts at the end of the last completed HA fiscal year; or

(iii) The percent of Section 8 families with children who moved to low-poverty census tracts in the HA's principal operating area over the last two completed HA fiscal years is at least 2 percentage points higher than the percent of all Section 8 families with children who resided in low poverty census tracts at the end of the second to last completed HA fiscal year.

(iv) State and regional HAs that provide Section 8 rental assistance in more than one metropolitan area within a State or region make these determinations separately for each metropolitan area or portion of a metropolitan area where the HA has assisted at

least 20 Section 8 families with children in the last completed HA fiscal year.

(2) HUD verification method: HA data submitted for the deconcentration bonus and latest IA annual audit report.

(3) Rating:

(i) The data submitted by the HA for the deconcentration bonus shows that the HA met the requirements for bonus points in paragraph (h)(1)(i), (ii) or (iii) of this section, and the latest IA audit report states that the auditor has determined that the HA has on file documentation of its analysis of data which supports its submission to HUD for bonus points under this indicator. 5 points.

(ii) The data submitted by the HA for the deconcentration bonus does not show that the HA met the requirements for bonus points in paragraph (h)(1)(i), (ii) or (iii) of this section, or the latest IA audit report does not state that the auditor has determined that the HA has on file documentation of its analysis of data which supports its submission to HUD for bonus points under this indicator. 0 points.

(iii) HUD will rate metropolitan areas within State or regional HA jurisdictions separately and the separate metropolitan area ratings will then be weighted by the number of assisted families with children in each area and averaged to determine bonus points to be awarded to the State or regional HA.

(i) *Fair market rent (FMR) limit and payment standards.* (1) This indicator shows whether: at least 98 percent of the units newly leased under the rental certificate program, other than over-FMR tenancies, have initial gross rents at or below the applicable FMR or approved exception rent limit; and whether the HA has adopted current payment standards for the rental voucher program by unit size for each FMR area in the HA jurisdiction, and, if applicable, for each HUD-approved exception rent area within an FMR area, which payment standards do not exceed the current applicable FMR or HUD-approved exception rent limits and which are not less than 80 percent of the current FMR/exception rent limit (unless a lower percent is ap-

proved by HUD). If the HA administers either the rental certificate program or the rental voucher program but not both, only the standard for the program which the HA administers applies. (24 CFR 982.508(a) and 982.505(b)(3)).

(2) HUD verification method: HA data submitted on the SEMAP certification form concerning payment standards and MTCS report—Shows newly leased certificate units' gross rents (excluding over-FMR tenancies) compared to the FMR or approved exception rent.

(3) Rating:

(i) Excluding over-FMR tenancies, at least 98 percent of the units newly leased under the rental certificate program have initial gross rents at or below the applicable FMR or approved exception rent limits, and the HA's current rental voucher program payment standards do not exceed the current applicable FMR or HUD-approved exception rent limits and are not less than 80 percent of the current FMR/exception rent limit (unless a lower percent is approved by HUD). 5 points.

(ii) Excluding over-FMR tenancies, more than 2 percent of rental certificate program units have been newly leased at initial gross rents that exceed the applicable FMR/exception rent limits, or the HA's rental voucher program payment standards exceed the FMR/exception rent limits or are less than 80 percent of the current FMR/exception rent limit (unless a lower percent is approved by HUD). 0 points.

(j) *Annual reexaminations.* (1) This indicator shows whether the HA completes a reexamination for each participating family at least every 12 months. (24 CFR 5.617).

(2) HUD verification method: MTCS report—Shows percent of reexaminations that are more than 2 months overdue. The 2-month allowance is provided only to accommodate a possible lag in the HA's electronic reporting of the annual reexamination on Form HUD-50058 and to allow the processing of the data into MTCS. The 2-month allowance provided here for rating purposes does not mean that any delay in completing annual reexaminations is permitted.

(3) Rating:

(i) Fewer than 5 percent of all HA re-examinations are more than 2 months overdue. 10 points.

(ii) 5 to 10 percent of all HA reexaminations are more than 2 months overdue. 5 points.

(iii) More than 10 percent of all HA reexaminations are more than 2 months overdue. 0 points.

(k) *Correct tenant rent calculations.* (1) This indicator shows whether the HA correctly calculates tenant rent in the rental certificate program and the family's share of the rent to owner in the rental voucher program. (24 CFR 982 subpart K).

(2) HUD verification method: MTCS report—Shows percent of tenant rent and family's share of the rent to owner calculations that are incorrect based on data sent to HUD by the HA on Forms HUD-50058. The MTCS data used for verification cover only regular certificate and voucher program tenancies and do not include rent calculation discrepancies for over-FMR tenancies in the rental certificate program, for manufactured home owner rentals of manufactured home spaces, or for proration of assistance under the noncitizen rule.

(3) Ratings:

(i) 2 percent or fewer of HA tenant rent and family's share of the rent to owner calculations are incorrect. 5 points.

(ii) More than 2 percent of HA tenant rent and family's share of the rent to owner calculations are incorrect. 0 points.

(l) *Pre-contract housing quality standards (HQS) inspections.* (1) This indicator shows whether newly leased units pass HQS inspection on or before the beginning date of the assisted lease and HAP contract. (24 CFR 982.305).

(2) HUD verification method: MTCS report—Shows percent of newly leased units where the beginning date of the assistance contract is before the date the unit passed HQS inspection.

(3) Rating:

(i) 98 to 99 percent of newly leased units passed HQS inspection before the beginning date of the assisted lease and HAP contract. 5 points.

(ii) Fewer than 98 percent of newly leased units passed HQS inspection be-

fore the beginning date of the assisted lease and HAP contract. 0 points.

(m) *Annual HQS inspections.* (1) This indicator shows whether the HA inspects each unit under contract at least annually. (24 CFR 982.405(a))

(2) HUD verification method: MTCS report—Shows percent of HQS inspections that are more than 2 months overdue. The 2-month allowance is provided only to accommodate a possible lag in the HA's electronic reporting of the annual HQS inspection on Form HUD-50058, and to allow the processing of the data into MTCS. The 2-month allowance provided here for rating purposes does not mean that any delay in completing annual HQS inspections is permitted.

(3) Rating:

(i) Fewer than 5 percent of annual HQS inspections of units under contract are more than 2 months overdue. 10 points.

(ii) 5 to 10 percent of all annual HQS inspections of units under contract are more than 2 months overdue. 5 points.

(iii) More than 10 percent of all annual HQS inspections of units under contract are more than 2 months overdue. 0 points.

(n) *Lease-up.* (1) This indicator shows whether the HA enters HAP contracts for the number of units under budget for at least one year.

(2) HUD verification method: Percent of units leased during the last completed HA fiscal year as determined by taking unit months under HAP contract as shown on HA's latest approved year-end operating statement divided by 12, and dividing by the number of units budgeted as shown on the HA's approved budget for the same HA fiscal year.

(3) Rating:

(i) The percent of units leased during the last HA fiscal year was 98 percent or more. 20 points.

(ii) The percent of units leased during the last HA fiscal year was 95 to 97 percent. 15 points.

(iii) The percent of units leased during the last HA fiscal year was less than 95 percent. 0 points.

(o) *Family self-sufficiency (FSS) enrollment and escrow accounts.* (1) This indicator applies only to HAs with mandatory FSS programs. The indicator consists of 2 components which show whether the HA has enrolled families in the FSS program as required, and the extent of the HA's progress in supporting FSS by measuring the percent of current FSS participants with FSS progress reports entered in MTCS that have had increases in earned income which resulted in escrow account balances. (24 CFR 984.105 and 984.305)

(2) HUD verification method: MTCS report—Shows number of families currently enrolled in FSS. This number is divided by the number of mandatory FSS slots based on funding reserved for the HA through the second to last completed Federal fiscal year or based on a reduced number of mandatory slots under a HUD-approved exception. An MTCS report also shows the percent of FSS families with FSS progress reports who have escrow account balances. HUD also uses information reported on the SEMAP certification by initial HAs concerning FSS families enrolled in their FSS programs but who have moved under portability to the jurisdiction of another HA.

(3) Rating:

(i) The HA has filled 80 percent or more of its mandatory FSS slots and 30 percent or more of FSS families have escrow account balances. 10 points.

(ii) The HA has filled 60 to 79 percent of its mandatory FSS slots and 30 percent or more of FSS families have escrow account balances. 8 points.

(iii) The HA has filled 80 percent or more of its mandatory FSS slots, but fewer than 30 percent of FSS families have escrow account balances. 5 points.

(iv) 30 percent or more of FSS families have escrow account balances, but fewer than 60 percent of the HA's mandatory FSS slots are filled. 5 points.

(v) The HA has filled 60 to 70 percent of its mandatory FSS slots, but fewer than 30 percent of FSS families have escrow account balances. 3 points.

(vi) The HA has filled fewer than 60 percent of its mandatory FSS slots and less than 30 percent of FSS families have escrow account balances. 0 points.

Subpart B—Program Operation

§ 985.101 SEMAP certification.

(a) An HA must submit the HUD-required SEMAP certification form within 60 calendar days after the end of its fiscal year.

(1) The certification must be approved by HA board resolution and be signed by the board of commissioners chairperson and by the HA executive director. If the HA is a unit of local government or a state, a resolution approving the certification is not required, and the certification must be executed by the Section 8 program director and by the chief executive officer of the unit of government or his or her designee.

(2) An HA that subcontracts administration of its program to one or more subcontractors shall require each subcontractor to submit the subcontractor's own SEMAP certification on the HUD-prescribed form to the HA in support of the HA's SEMAP certification to HUD. The HA shall retain subcontractor certifications for 3 years.

(3) An HA may include with its SEMAP certification any information bearing on the accuracy or completeness of the information used by the HA in providing its certification.

(b) Failure of an HA to submit its SEMAP certification within 60 calendar days after the end of its fiscal year will result in an overall performance rating of troubled and the HA will be subject to the requirements at § 985.107.

(c) An HA's SEMAP certification is subject to HUD verification by an on-site confirmatory review at any time. (Information collection requirements in this section have been approved by the Office of Management and Budget under control number 2577-0215)

§ 985.102 SEMAP profile.

Upon receipt of the HA's SEMAP certification, HUD will rate the HA's performance under each SEMAP indicator in accordance with § 985.3. HUD will then prepare a SEMAP profile for each HA which shows the rating for each indicator, sums the indicator ratings, and divides by the total possible points to arrive at an HA's overall SEMAP